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SUBJECT: ECONOMIST HOSTS BUSINESS GOVERNMENT ROUNDTABLE: THE GOT
LISTENS BUT DOES IT HEAR?

REF: TUNIS 1101

Summary

¶1. (U) The Economist Intelligence Unit recently hosted its first business roundtable in Tunisia with strong government and company participation. Prime Minister Mohamed Ghannouchi gave remarks on the GOT's current economic development plan and responded to questions from business leaders and diplomats. The Prime Minister was one of five ministers who participated in the event. Highlights and observations from the event included advice from African Development Bank President Donald Kaberuka, urging the GOT to stay the course on economic reform, and confirmation that the financial crisis is likely to have a negative effect on key sectors of Tunisia's economy, including exports and tourism. End Summary.

A Case of the Shoulds

¶2. (U) GOT officials received a long list of "shoulds" during the Economist Intelligence Unit-organized business roundtable held on October 24. African Development Bank (ADB) President Donald Kaberuka summarized the suggestions best when he called on the GOT to capitalize on this crisis-generated opportunity to redefine the role of the central government in the economy. He highlighted three areas where the GOT should focus:

- deepening the banking sector in order to increase small and medium sized business access to credit and financing;
- continuing to reduce bureaucratic red tape for new business and project development; and
- strengthening regional integration.

¶3. (U) Kaberuka reaffirmed the ADB's support, by means of loans and guarantees, for Tunisia's continued economic growth. He highlighted how Africa, usually one of the areas worst off during economic downturns, has so far been less affected during this crisis. However, Kaberuka said that those African countries dependent on foreign aid might feel

the pinch should recession affect donor countries. He concluded that Tunisia could turn the crisis to its advantage if the GOT takes appropriate actions.

The Impact of the Crisis on Tunisia

¶4. (SBU) Roundtable speakers said Tunisia's exports, foreign direct investments and tourism will be negatively affected by prolonged economic downturns in the country's key trading partners. (The assessments largely confirmed earlier Embassy reports. See reftel.) Presenters, such as Ala'a Al Youssif, the senior economist and panelist from the Gulf Finance House (GFH), reaffirmed the need for the GOT to focus on mobilizing Tunisian household savings, increase efforts to attract foreign investors and position itself as a financial hub for the African continent. (NOTE: The Gulf Finance House is a Sharia Investment Bank based out of Bahrain with plans to open a three billion dollar financial harbor in Tunis by 2009.)

The GOT is in the House...

¶5. (SBU) Prime Minister Mohamed Ghannouchi capitalized on the elite audience of business executives and diplomats to reiterate previous comments regarding Tunisia's competitiveness, continued positive economic growth and above-African-average standard of living and education levels. He emphasized the GOT's consistent approach to economic development and long history of investment in education and modernization. He admitted the need to more

closely align higher education with the needs of the private sector while reminding the audience of the GOT's focus on attracting value-added industries given the lack of availability of natural resources. In addition, he sought to assuage concerns about the recent fluctuations in the Tunisian stock market by confirming the low foreign portfolio investment figures. Ghannouchi responded to Kaberuka's suggestions by describing the following objectives:

- Achieve one percent decline in unemployment annually;
- Capitalize on Tunisia's market reputation of stability to attract foreign investment;
- Resolve salary and wage concerns through free and constructive dialogue to maintain stability; and
- Continue EuroMed integration efforts.

¶6. (U) Moreover, Ghannouchi confirmed that the GOT has no intention of nationalizing any companies, and explained that only a handful continue to have government stakes. Among them are Groupe Chimique, the chemical company, the Phosphate Company of Gafsa, and a cement plant that is used to regulate the price of cement in the market. Lastly, Prime Minister Ghannouchi reiterated Tunisia's willingness to accept mega FDI projects and the willingness on the part of the GOT to "work" with interested parties.

... And so is the Elephant

¶7. (SBU) One topic absent from the roundtable was corruption. Transparency International recently released corruption rankings, in which Tunisia fell from 61 to 62. One point may seem unremarkable; however, it marks the seventh straight year of increasing perceptions of corruption. One Tunisian business owner, Nazeh Ben Ammar, asked the Minister of Industry during a panel discussion about irregularities in the customs process, and later commented to EconOff that the answer provided was less than adequate.

Other Business Issues

18. (U) Coca-Cola used its sponsorship and participation on a discussion panel to directly comment on the fairness of a tax imposed on carbonated beverages. Mr. Brahim Laroui, President of Coca-Cola in Tunisia, was not surprised when Employment Minister Slim Tlatli responded that the GOT was not considering changing the beverage tax. The Gulf Finance House, the event's other co-sponsor, encouraged greater efforts to reform the financial sector, which would benefit their plans to create a finance hub in Tunis.

Comment

19. (SBU) Overall, participants saw the event as broadly positive, with business representatives welcoming the government's strong presence. Participants were pleased with the opportunity to question GOT officials, exchange views and network, free of charge. Not surprisingly, the ministers hewed closely to the government's official line. They, too, appreciated the opportunity to interact directly with a key constituency. The Economist Intelligence Unit commented that they normally charge for this type of event. In this case, funding was provided by Coca-Cola and GFH (septel). The EIU chose to make attendance by invitation in order to attract the "right" people, i.e., decision makers and business leaders. Taking advantage of the opportunity, participants delivered some clear and useful messages to the GOT. In return, GOT leaders had an opportunity to court the business community. Ideally, the forum will encourage further reform by government (and new investment by business). But while GOT officials listened, only time will tell whether they heard. End Comment.

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